

3 September 1982

MEMORANDUM FOR: C/NIC, NIO/E, NIO/USSR & NIO/WE

SUBJECT : SNIE on Pipeline Issues

1. In the Executive Session of the 1 September NFIB the DCI noted the Washington Post article on the DI memorandum on some selected pipeline issues. He noted that the memo was narrowly focused on some narrow questions posed by Secretary Buckley. The reaction to the memo, making reference to the leak, indicates that many policymakers are unhappy with the answers to their questions. The DCI went on to say that we had issued other estimative pieces on the pipeline issues and now have scattered all over town answers to discrete questions without having the entire subject comprehensively addressed.
2. He then asked for comments on his proposal to issue a SNIE on the pipeline issues with the purpose of comprehensively addressing all of the issues to include highlighting the differences of opinion within the Intelligence Community. The reaction was supportive, but no one was ready to step forward with drafting assistance. Bill Odom volunteered to help structure the estimate and then Casey directed the DDI to provide drafting support to the NIC for this estimate.
3. Maurice Ernst will be the action officer on this estimate and he has already met with Bob Gates to begin the arrangements. Gates, Ernst and myself agreed that the work will not begin until next week following the completion of the two memoranda currently being prepared on the same subject by Maurice Ernst.
4. At the 0900 meeting with the DCI on 3 September I informed him of the tentative schedule for the preparation of this SNIE and mentioned 28 September as the NFIB target date. Gates then handed me a copy of a memorandum from Bill Odom in which he had made his contribution toward the structure of the estimate. The Odom memorandum is attached. The subsequent discussion with Gates and Casey worked out additional details of the schedule. Ernst [redacted] will meet with Gates on Tuesday along with drafting support selected by Gates. They will develop an outline by COB Tuesday and strive for a first draft by the end of the week.



Acting Chairman

Attachment

SECRET

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT CHIEF OF STAFF FOR INTELLIGENCE
WASHINGTON, D.C. 20310



2 Sep 82

TO: DDI/CIA -- Robert Gates

Bob,

Attached is the outline I promised for the Siberian pipeline deal. It is rough, almost "stream of consciousness," but I believe it has the key structure for the case we must make. Let me cite a few points that are not well understood and which will provoke analyst resistance because they are not used to doing such analysis:

1. We must produce as full a record as possible of what E-W trade has done for the enormous Soviet military buildup and modernization. While this can't be done with decimal point precision, it can be done in gross cases with sufficient accuracy to provide an unambiguous answer to "has it helped a lot? A little? Not at all? In what military systems has it helped most?"

2. We must compare reported profits from commercial deals with what those deals have cost the West in making the military threat greater. An easy example is the CENTALIGN case where a forty-sixty million dollar sale gave us the MX basing problem of 30-40 million dollars. Many individual cases can be worked up, and they will be useful far beyond the SNIE, good work to have on the shelf.

3. An important economic concept to introduce is the European defense of non-competitive technology by exports to East Europe. The Germans in particular cannot export production technology in a number of sectors that will compete with the US and Japan. Rather than re-tool and modernize, they put it off and sell to the USSR. Chemicals, machine tools, etc. are cases. An open source book has been written on the chemical case. Analysis of this practice can be very useful in "unmasking" the flakey arguments made in defense of much European E-W trade.

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4. Credits, of course, are ~~fairly~~ fairly straight forward, but we have not put this story together well yet.

5. Finally, the pipeline case can be reviewed against this record and analysis of the larger experience

Now, if we make this case cogently, the policy implication is to build some alliance ~~xxxx~~ international bureaucracy to do this kind of analysis, judging "alliance interests," not just German or US or French interests as they are affected by E-W trade. If the pipeline case catalyzed that kind of action, we could turn the crisis into a major step forward. ~~M~~
"Peaceful coexistence" means peaceful competition. Yet NATO is organized only for military competition. We need a NATO -like structure for non-military competition.

Oh yes, one more key point: the Europeans cannot logically ask for freer E-W trade and also expect progress in arms control. Technology and trade embargos are our major lever for increasing Soviet incentives to engage in serious arms control. We must make the Europeans face the choice: either arms control OR trade, but not BOTH.

I hope you can use the outline. I'll be glad to discuss it. I also am putting two people on the SNIE one of whom really knows the tech transfer consequences in gory detail. He can provide some of the cases for the second section of the SNIE.

WILLIAM E. ODOM
Major General, USA
ACofS for Intelligence

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